



Tātau Tātau o Te Wairoa Commercial Limited

Statement of Investment Policy and Objectives

Approved by Tātau Tātau o TeWairoa
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1. Introduction

- 1.1 The purpose of this Investment Policy Statement (“**Policy**”) is to provide Tatau Tatau o Te Wairoa Commercial Limited (the Company), the General Partner of Tatau Tatau Commercial Limited Partnership (GP) involved in the investment and management of funds held in the Tatau Tatau Commercial Limited Partnership (LP) on behalf of Tātau Tātau o Te Wairoa (“Corporate Trustee”) with a document that sets out:
- a) The mission statement of the Corporate Trust;
 - b) The responsibilities of parties involved in investment decision making including the Governance Board, Commercial Board, and Subsidiary Entities, Fund Managers, Investment Advisors, and other consultants;
 - c) The investment objectives;
 - d) The investment policy;
 - e) Investment performance management requirements; and
 - f) The investment framework.
- 1.2 This Policy should be read in conjunction with the following documents, as they may be amended from time to time:
- a) The Trust Deed and Company Constitutions dated 30th November 2018;
 - b) Delegated authorities approved by the Corporate Trustees;
 - c) Code of Conduct and other policies and procedures of the Corporate Trust;
 - d) Statement of Intent approved by the Corporate Trustees;
 - e) Distribution Policy approved by the Corporate Trustees; and
 - f) All other legal obligations.

2. Definitions and Interpretation

- 2.1 **Definitions** – Except to the extent they may be inconsistent with the context:
- a) The defined terms in clause 1 (Definitions) of the Deed will apply to this Policy;
 - b) Board means the board of Tātau Tātau o Te Wairoa Commercial Limited Partnership (LP);

- c) Director means directors appointed to Tātau Tātau o Te Wairoa Commercial Limited (GP);
- d) Trust Governance Board means the Trustees of Tatau Tatau o Te Wairoa Trust (Trustees);
- e) Deed of Settlement means the deed of settlement between the Trust and the Crown dated 26th November 2016;
- f) Fund Manager means a manager contracted to manage any funds of the Corporate Trust or other Subsidiary Entities;
- g) Investment Advisor means an advisor contracted to provide investment advice to the Corporate Trust or any other Subsidiary Entity;
- h) Professional Advisor means an advisor contracted to provide Administrative, Legal and/or Financial advice or services;
- i) Assets refers to assets managed by the Company; and
- j) SAA means Strategic Asset Allocation.

2.2 **Interpretation** – The provisions of Clause 41.2 of the Deed will apply to this Policy.

3. **Applicability**

3.1 This Policy applies to the Company in its role as General Partner or any other Subsidiary Entity.

3.2 This Policy has been approved by the Corporate Trustees and is effective from 1 May 2021.

4. **Guiding Principles**

4.1 This Policy's guiding principles are:

- a) This Policy relates to investments in the asset classes described below. Investments will be assessed and made based on their commercial merits;
- b) Investments will not be undertaken that are inconsistent with or may compromise the reputation and values of Tātau Tātau o Te Wairoa;
- c) Certain specific 'no go zones' may be established from time to time. Initial no go zones include investments in entities involved in the alcohol, tobacco, armament, oil and gas exploration and gambling industries and investments in companies with poor environment or employment records.

- (d) The creation of employment for Iwi members through the investments is a consideration included in the investment decision making framework and is a consideration when evaluating investment opportunities.
- (e) Clause 2.7 of the LP Agreement which states that the purpose of the LP is to manage the assets for the commercial, cultural and social development of the Iwi.
- (f) There is a duty to invest prudently. A Director exercising any power of investment shall exercise the care, diligence and skill that a prudent person of business would exercise in managing the affairs of a similar business.
- (g) The Company must prudently manage the commercial assets to ensure that the likelihood for capital erosion is minimised and it is expected that the Company take a long term view on return on assets.
- (h) The Directors shall develop a suitable asset allocation strategy to deploy the funds which is spread across a portfolio of assets and achieves balance across return, asset type, return duration, sector exposure, single asset exposure, growth, income, liquidity, tax and any other factor the Directors deem sensible. This asset allocation strategy is to be reviewed as a minimum, every two years.
- (i) The Directors will for all investment decisions ensure that sufficient, relevant and suitable due diligence has been undertaken as part of the investment process. All major risks identified have been adequately addressed to the satisfaction of the Directors. Where required, professional advisors may be appointed to undertake the due diligence.

5. Investment Decision Making Framework

All investments will subject to a comprehensive review. This review will be based on the contribution the proposed investment makes to each Pou (Tangata, Mana Maori, Taiao, Te Pataka) towards the achievement of outcomes as set out in the five year strategic and related annual plan.

6. Financial Delegations

6.1 Financial delegations are a means of managing overall risk. This Policy covers any financial transaction contemplated by the Company whether on or off balance sheet and covers all types of asset classes.

a) The financial delegations to the Company are:

Quantum Total Current Investment Assets	Tātau Tātau o Te Wairoa Trustee Limited	Tātau Tātau o Te Wairoa Commercial Limited
>25%	APPROVAL BY SPECIAL RESOLUTION	<p>Detailed Investment Report prepared by the Board, supported by independent advice from professional advisor/s to support the proposal submitted to Corporate Trustee,</p> <p>The Investment Report is to provide a detailed analysis and description of the asset or business, overview of strategy, review of pricing, due diligence findings, analysis of the market and risk, overview of commercial returns, risk assessment, management capability, upside, exit, projected rates of return and detailed recommendations.</p> <p>The risks identified by Independent Advisors are assessed with strategies identified to minimise risk and where Independent Advisors disclaims advice in part of specific aspects then the commercial return needs to support the risk.</p> <p>The review is also to include a review of the contribution the investment makes to delivering the 5 year strategic plan and annual plan.</p>
>10% of Assets*	APPROVAL	Detailed Investment Report prepared by the Board, supported by independent advice from professional advisor/s to

		<p>support the proposal submitted to Corporate Trustee,</p> <p>The Investment Report is to provide a detailed analysis and description of the asset or business, overview of strategy, review of pricing, due diligence findings, analysis of the market and risk, overview of commercial returns, risk assessment, management capability, upside, exit, projected rates of return and detailed recommendations.</p> <p>The risks identified by Independent Advisors are assessed with strategies identified to minimise risk and where Independent Advisors disclaims advice in part of specific aspects then the commercial return needs to support the risk. The review is also to include a review of the contribution the investment makes to deliver the 5 year strategic plan and annual plan.</p>
<10% of Assets	CONSULTATION	Company report as determined necessary. Consultation can be by email, teleconference etc. Investment Report per above (>15%) to support the investment which is approved by the Directors.
<5% of Assets	INFORM (in advance)	For example, via email, or paper, or verbally at Trust meeting. All proposals must be supported by a business case or an independent report Report by an Independent Advisor.

* These delegations do not refer to roll over of bank deposits or managed funds

7. Roles and Responsibilities

7.1 The primary roles and responsibilities are as follows:

Trust Governance Board

- (a) Take cognisance of the prudent person and duty of care rules as set out in the Trustee Amendment Act 1988 and the Companies Act.
- (b) To have reflected in this Policy the Trustee's attitudes to risk, expectations, objectives and guidelines for the investment of their assets;
- (c) To review this Policy as a minimum, every two years on the anniversary of the date of this Policy;
- (d) To approve this Policy and changes here to providing that any changes are consistent with the Investment Framework;
- (e) To ensure the portfolio of assets of Commercial Board is based on an asset allocation strategy which provides suitable return, achieves balance and is prudent;
- (f) To establish formal criteria to select, monitor, evaluate and compare on an ongoing basis the investment performance results achieved and the overall portfolio against agreed benchmarks similar to Tātau Tātau o Te Wairoa Group and the Corporate Trust's objectives;
- (g) To ensure appropriate reporting on performance and activity and adequate communication is received from the Commercial Directors of the LP.
- (h) Ensure that Investment Reports to support investment decisions is to a sufficient standard to enable the Directors to make informed decisions and to obtain approval.
- (i) Set the roles, responsibilities and delegated authority guidelines consistent with this Policy for the Commercial Directors;
- (j) Set the objectives of the investment strategy; and
- (k) Approve the basic guiding principles in regard to investment decisions.

Commercial Board

7.2 The Corporate Trustees will appoint Directors to the Commercial Company who will be responsible for guiding the Corporate Trustees, through a disciplined and rigorous investment process to enable the Corporate Trustees, to prudently manage their fiduciary duties and responsibilities.

7.3 The Commercial Directors will:

Liquid Investments

For decisions in relation to liquid assets such as investment in listed bonds, listed equities, listed instruments, listed funds or managed funds plus any other security which can be liquidated within five working days, the following should be observed:

- (a) Manage the assets under their supervision in accordance with the guidelines and objectives outlined in this Policy;
- (b) Provide advice on appropriate strategic asset allocation and security and implement investment and divestments in accordance with delegations;
- (c) Ensure that an appropriate review process is undertaken for independent Investment Advisors and for Fund Managers that are appointed;
- (d) Periodically review any custodial arrangements;
- (e) Provide instructions to each Fund Manager with respect to the lodging or withdrawing of funds placed;
- (f) Oversee and monitor the performance of the Fund Managers; and
- (g) Appoint and remove Fund Managers.

Unlisted/Illiquid Investments

For decisions in relation to unlisted, illiquid and private investments, the following should be observed:

- (a) Manage the assets under their supervision in accordance with the guidelines and objectives outlined in this Policy;
- (b) Provide advice on appropriate strategic asset allocation and security and implement investment and divestments in accordance with delegations;
- (c) Ensure that all investments are done on a prudent and commercial basis;
- (d) Ensure that an appropriate level of due diligence is undertaken on each investment opportunity and that the strategic rationale, business case and the investment decision making framework is adhered to, and all risks are suitably addressed by the Board;
- (e) Ensure that the investment decision references to some key criteria such as but not limited to, internal rate return hurdles, return on investment, Net Present Value, economic benefits, risk rated return and the opportunity does not expose the business to too much risk;
- (f) Ensure that an appropriate management structure is implemented to manage this class of investment; and
- (g) Ensure that the commercial terms provide the necessary protection for the Company such as but not limited to, warranties for identified risk, voting rights, appointment rights, ability to veto or influence key decisions which might dilute or impact the investment and ensure minority investment positions do not result in stranded positions or ability to veto the raising

of debt or other financial instruments which might impact the ability of the business to perform.

Reporting/Management

- (a) Ensure the performance of each investment is reviewed on a regular basis and issues identified are addressed in a timely fashion.
- (b) Provide quarterly reports in a form agreed between the Corporate Trustees and the Commercial Directors;
- (c) Make available appropriate personnel to attend meetings as agreed between the Corporate Trustees and Commercial Directors;
- (d) Provide a six-monthly review of investment performance against agreed benchmarks;
- (e) Provide an annual report which would include amongst other things, the total expenses incurred and tax paid in managing the investment portfolio;
- (f) Communicate all significant changes pertaining to the investment portfolio it manages or the Fund Managers' firm itself. Changes in ownership, organisational structure, financial condition and professional staff are examples of changes to the firm in which the Corporate Trustees and Commercial Directors are interested;

Custodian

- 7.4 The Commercial Board must review the custodial arrangements (where relevant) for all investments to ensure the assets are safeguarded.

8. Objectives

- 8.1 The investment objectives are:
 - (a) To ensure that returns are appropriate for the level of risk of the assets, having regard to the desire to preserve and grow capital value over the long term;
 - (b) To grow the capital in real terms. The long term objective is to achieve a return of CPI + 5.5% per annum over rolling three year periods; (the LOE provides for 6%-based on a 60% income, 40% growth this is not achievable)
 - (c) To ensure that the investment portfolio of the LP is structured to support the distribution policy of the Corporate Trust as approved from time to time;

- (d) To diversify the investment assets of the LP to minimise the risk of large losses within any one asset class, investment type, industry or sector, or geographic location, which could seriously impair the Corporate Trust's ability to achieve its short and long term objectives; and
- (e) To structure the investments to minimise interest rate risk with regards to the investments' maturity dates.

9. Investment Strategy and Risk Profile

9.1 The Corporate Trustees have agreed to a balanced profile and the target asset allocation (measured as a proportion of aggregate market values) as follows, (amended to take on board independent advice taking into consideration current market conditions-continues to be based on a 60/40 split):

Asset Class	Min %	Mid %	Max %	12 Month Gross Yield %	Long Term Gross Yield %	Nature of Investment
Cash & Term Deposits	5	5	20	0.35	1.5	Yield
Managed Funds	30	47	70	2.56	4.5	Yield/Growth
Agribusiness/Horticulture	0	10	20	0	5	Yield/Growth
Property	10	20	40	7	7	Yield/Growth
Private Equity	0	10	20	9	9	Growth
Ports	0	5	10	6	6	Yield/Growth
Residential Housing	0	3	5	0	0	Yield/Growth
Weighted Average Return				3.82	5.38	

Note: The Commercial Board may need specialist financial advice regarding a suitable investment portfolio structure that is based on the Corporate Trust's risk profile and this Policy.

Note: The gross yields include the cash yield and changes in the underlying value of the investment.

10. Distribution Policies

10.1 The LP underlying distribution policies will underpin the long term cashflow forecast requirements of the Corporate Trust. These are in the process of being identified. It has been agreed that short term distributions will be as follows:

- November 2019 \$2.5m
- November 2020 \$2.5m

Normal distributions will commence in year three and this will be linked to the operating profitability of the the Commercial entity, the cashflow needs of the Corporate Trustee to support the distribution policies of the Trust, in the Trust Deed.

11. Policy

- 11.1 The Commercial Board has an obligation to meet all legal responsibilities.
- 11.2 Cash (bank) investments must:
- a) Be with a registered bank in New Zealand, with a minimum rating of AA-; and
 - b) Be spread across at least three registered banks in New Zealand.
- 11.3 There must be at least 30% of the overall portfolio held in liquid assets – measured by taking into consideration the underlying fair market value of the assets held.
- 11.4 All new direct investment in real property or by a Subsidiary Entity shall be supported by a valuation from a registered valuer and by due diligence by a suitably qualified advisor, and shall be funded by conservative levels of debt such to as sustain a correction in values and therefore not expose the investment to the bank or funding partner into forcing a receivership or having to invest more capital.
- 11.5 Investment in corporate, government and local government bonds must be managed such that:
- a) All bonds must be with a company with an investment grade credit rating or listed (either the company or its parent) on NZX or ASX;
 - b) Bonds must be tradable on a listed stock exchange; and
 - b) No holding in a single non-government entity should exceed 15% of the total market value of the investment assets.
- 11.6 Equity investments can include New Zealand and overseas listed shares:
- a) Subject to “no go zones” identified in the section on “Guiding Principles” above; and
 - b) No direct holding in a single listed company should exceed 5% of the total market value of the investment assets at the time of making the investment.
- 11.7 All direct business investments must:
- (a) Be supported by an appropriate level of due diligence performed by a suitably qualified advisor where required. This is likely to include:
 - i. A valuation, in the case of unlisted investments; and

- ii. An analysis supported by financial statements and cash flow forecasts concluding that the investment creates positive net present value based on the weighted average cost of capital for that business investment as established from time to time; and
 - iii. A thorough assessment of governance, management, business models, systems and processes in the business are undertaken.
- (b) A business case which shows that the investment will help the Company achieve the goals and objectives of this SIPO. The business case must include an assessment of the Investment Decision Making Framework criteria;
 - (c) A robust exit strategy. This is particularly relevant in the case of non-controlling, unlisted holdings; and
 - (d) Communicate and consult with the Corporate Trustees when direct investments affect Iwi/or hapu in their rohe.
- 11.8 The term of investments across the investment portfolio shall be managed such that:
- (a) Repayment and interest rate dates are spread across a range of maturities to reduce exposure to adverse interest rate movements in any one period or on any one date;
 - (b) They have regard to the likely requirements for funds and/or flexibility across time;
 - (c) Particular attention will be paid to long term fixed interest investments, having regard to the potential for market price volatility and changes in interest rates; and
 - (d) Short term solvency is maintained such that forecast payables in the next year are met or exceeded by receivables in that same period.
- 11.9 Investment portfolio conditions:
- (a) If the investment portfolio is exposed to direct foreign currency movements then LP or may utilise hedging instruments to mitigate any currency risk; and
 - (b) Foreign investment opportunities must be supported by a higher level of due diligence scrutiny by a suitably qualified advisor.
- 11.10 It is envisaged that, in general, investments will be made on an unleveraged basis. That is, without the use of debt. If debt is used, it must be used in circumstances where it is considered appropriate and prudent to do so, subject to:
- (a) Overall debt held in the Company shall not exceed 30% of the total market value of the overall investment assets; and
 - (b) Where debt is raised in direct investments, ensure the debt is ring fenced in that subsidiary business and any guarantees will not expose the Company assets by more than 10% and that

guarantees are the same as other partners in the subsidiary business., and suitable guarantee fees are charged where applicable.

12. Performance Measurement

- 12.1 The Corporate Trustees acknowledge that fluctuating rates of return characterise the securities markets, particularly during short time periods, and recognise that short term fluctuations cause variations in performance. The Corporate Trustees intend to evaluate investment performance from a long-term perspective.
- 12.2 The ongoing review and analysis of the investment assets is just as important as the due diligence process. The performance of the investment assets will be monitored on an ongoing basis and at least quarterly. It is at the discretion of the Commercial Directors to take corrective action by replacing a Funds Manager and/or Investment Advisor if they deem it appropriate at any time or taking any action for any investment as the Commercial Directors see fit, to protect the interests of the business.
- 12.3 The Corporate Trustees and the Commercial Directors will meet annually (at the same time as any review of this Policy in accordance with Paragraph 6(c)) to review that the investment assets continue to conform to the criteria outlined in this Policy, specifically:
- (a) Adherence to the asset allocation levels set with rebalancing occurring within the agreed parameters and in a timely fashion;
 - (b) Adherence to the agreed investment philosophy and constraints;
 - (c) Adherence of individual investments to investment guidelines;
 - (d) Material changes in the investment options, organisation, investment philosophy and/or personnel; and
 - (e) Any legal or other regulatory agency proceedings affecting the investment options.
 - (f) Each of the Subsidiary Entities will provide to the LP within two calendar months of the completion of the first, second and third quarter of each Financial Year, a report on its operations and financial position, together with an unaudited summary of financial results as at the end of that period, in such form to be agreed with the Governance Board. Such reports shall include a review of the matters referred to in Paragraph 12.3 (a) – (e) above. Should a material issue arise in relation to any of those matters, the Subsidiary Entity concerned will promptly provide notice of such issue to the LP and if appropriate to the Corporate Trustee. The reports shall also detail transactions, securities held and their current value, the change in value of each security and the overall portfolio since the previous report.
- 12.4 Performance objectives should be established for each investment asset or managed fund and for the overall investment portfolio. The performance of an investment asset (other than real

assets, i.e property) will be evaluated in terms of an appropriate market index or mandated objective for the product. These are to be agreed between the Corporate Trustees and the Commercial Directors and subsequently the Investment Advisors and the Fund Managers.

12.5 Expected returns for an asset class are:

Asset Class	Investment Type	Sector	Benchmark
Cash & Fixed Interest	Cash	Cash and Short Term Deposits	NZX NZ 90-Day Bank Bill
	Fixed Interest	New Zealand Fixed Interest Securities	Bloomberg NZBond Composite 0+ Yr
Listed Equities	Listed Equities	Listed NZ Equities	S&P/NZX 50
	Listed Equities	NZ Property	S&P/NZX All Real Estate
	Listed Equities	Listed AUS securities	S&P/ASX 200
	Listed Equities	Other International Equities	MSCI ACWI
Alternative Assets	Private Equity	Private Equity and Venture Capital	9%
	Real Assets	Forestry	5%
	Real Assets	Investment Property	Morningstar NZ OE Unlisted and Direct Property - NZ Non-PIE
	Real Assets	Agri Business	5%

Note: These are subject to change depending on market forces but provide a indicative expected returns for these asset classes. For the formal review processes, updated benchmarks should be used.

12.6 An Investment Advisor or Fund Manager or a direct investment may be placed on a watch list by the Company and a thorough review and analysis may be conducted when:

- (a) Performance is below median for their peer group over a one, three or five year cumulative period; or
- (b) The three-year risk-adjusted return falls below the peer group's median risk-adjusted return; or
- (c) There is a change in the personnel of the Fund Manager managing the investment; or
- (d) There is an indication the investment asset or Fund Manager is deviating from the stated style or strategy; or
- (e) There is an increase in fees and expenses; or

(f) Any extraordinary event occurs that may interfere with the investment or Fund Manager's ability to prudently manage investment assets.

12.7 This process is delegated to the Fund Manager, Investment Advisor and/or a nominated third party and they will report to the Commercial Directors at least annually.

13. Measuring Costs – Fund Manager Activities

13.1 The total portfolio delivery costs should be fair and reasonable. The appointed Investment Advisor and Fund Managers should offer a fee-only service with all commissions returned to the Board or Company.

13.2 The Commercial Directors are to report annually on the breakdown and the total costs of delivery including:

- i. Administration / Custodial Reporting Fees;
- ii. Management Expense Ratios for Managed Fund Investments;
- iii. Advisory Fees; and
- iv. Other Brokerage or Fees.

14. Changes to the Investment Policy Statement

14.1 All requested changes to this Policy must be notified in writing to the Corporate Trustees.

14.2 All changes to this Policy must be approved by the Corporate Trustees.

14.3 Changes to this Policy may be reviewed by a suitably qualified, external, independent advisor.

14.4 The Commercial Board is responsible for updating this Policy with all changes made in accordance with this Policy.

15. Audit and Verification

15.1 Compliance with this Policy may be subject to review by internal or external audit functions.

15.2 Departures from this Policy will be considered a breach of this Policy and may result in disciplinary procedures.

15.3 It is accepted by the Corporate Trustees that achieving the SAA will take some time and during this period, performance will be outside policy but this is not considered a breach. The only

exception is when market conditions prevent achieving the target asset allocation, for example, where an asset class is underperforming in the market.